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TAGS: [ECON](#) [EFIN](#) [ELTN](#) [NS](#)

SUBJECT: SURINAME'S FIU FOCUSED ON CAR DEALERS FOR NON-COMPLIANCE OF REPORTING UNUSUAL TRANSACTIONS

REF: (A) 06 PARAMARIBO 028 (B) 05 PARAMARIBO 124 (C) 05

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Summary

¶1. A significant increase in car imports in recent years, especially those in the luxury class range valued at US\$25,000 and above, and suspected links between this activity and money laundering have prompted a crackdown on car dealerships by Suriname's Financial Intelligence Unit (FIU). Last week, FIU head Radjendrekoeemar Bhagwandas announced in the press that the "non-financial sector" category of compulsory reporters for unusual financial transactions, of which car dealers are a part, would face increased scrutiny in 2006. End summary.

¶2. Suriname's dramatic increase in car imports began primarily after the Government of Suriname lifted the import license requirement in early 2004, according to Aroen Jadoenathmisier, Head of Import, Export and Foreign Exchange Control of the Ministry of Trade and Industry. A car dealer thereafter only had to be registered with the Chamber of Commerce in order to operate. Jadoenathmisier stated that the new system was meant to streamline and thus increase the receipt of revenue by the government from duties on imported vehicles. In 2005, government income from the import of cars was 60 million SRD (about USD20.7 million) in import taxes, fees and VAT tax. As a result of the looser licensing requirements, car dealerships sprang up on seemingly every corner, including dealerships run by the Yokohama Trading Company, whose owner was arrested and convicted for money laundering in the Netherlands in January (see ref A). This case underscores the suspected link between car lots and money laundering.

¶3. Between 2003 and 2005, approximately 44,787 new and used vehicles were imported into Suriname, a country with a total population of some 490,000. Most of the car sales are to people living in the major urban areas of Paramaribo and Wanica. Comparing 2005 car imports to estimates of the adult populations of those two urban areas, a rough calculation would say these could allow about 8 percent of the urban population to buy a car each year. Suriname's estimated GDP per capita of just over USD 4,100 makes this volume and the appearance of increasingly expensive cars on the market, including luxury cars (such as Mercedes) with a market value of US\$23,000, all the more surprising. In 2005 alone, the import of personal vehicles, trucks, pick-up trucks and buses was valued at 190 million SRD (or

US\$67.9 million), 25 million SRD more than in 2004. The number of vehicles imported dropped from 15,697 in 2004 to 15,090 in 2005, yet the individual value of imported vehicles increased.

¶4. In 2002, the Government of Suriname (GOS) passed and implemented a law establishing the Financial Intelligence Unit (FIU). The FIU is tasked with collecting reports on unusual transactions from financial institutions, non-banking financial institutions and natural legal persons who conduct financial services (service providers). Since its establishment, only banks have consistently reported transactions to the FIU. Most other reporters were sporadic in meeting this disclosure requirement. This was especially true among car dealerships. According to FIU regulations, car dealers are required to report all cash transactions over US\$25,000. Per Surinamese "Law on Reporting Unusual Financial Transactions," non-complying dealers could face a fine of up to 500,000 SRD (approximately US\$178,500) or 10 years in prison. Bhagwandas believes that the threshold may be too high and should be adjusted downward to reflect the appropriate standard for a luxury car relative to Suriname income levels. If so, the number of reports required to be submitted would increase accordingly.

¶5. Since last week's remarks to the press, Mr. Bhagwandas reports that there has been an increase in inquiries by car dealers to the FIU seeking information on how to comply with the regulations. The FIU has scheduled informational sessions for car dealers to inform them of their responsibilities. Every dealer will also be required to assign a contact person who will remain in touch with the FIU. Such outreach has previously been conducted by the FIU for banks and notaries.

COMMENT

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¶6. The increasing volume of car imports and the investigation into the Yokohama Trading Company (and legal action against its owners and associates) have long led to suspicions that something (i.e., money laundering) was afoot in this sector, making the FIU's enhanced attention to car dealerships a positive step toward Suriname's fight against financial crimes. End Comment.

LEONARD